

TUSCARORA TOWNSHIP
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

TUSCARORA TOWNSHIP

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Elliott & Sangster

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Christopher R. Sangster, MST, CPA
Gregory J. Elliott, CPA

INDEPENDENT AUDITORS' REPORT

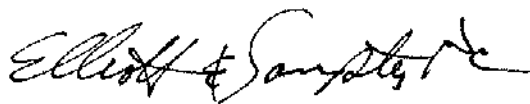
Township Board
Tuscarora Township
Cheboygan County
Cheboygan, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Tuscarora Township, Cheboygan County, Michigan**, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Tuscarora Township**, as of June 30, 2008, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 30 through 32, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



December 18, 2008

TUSCARORA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at June 30, 2008 totaled \$ 4,026,220 for governmental activities. Of the total, \$ 2,648,666 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$1,985,574 (\$53,701 from program revenues and \$1,931,873 from general revenues). Overall expenses for the Township's governmental activities were \$1,630,846.

The Township had outstanding debt at year-end of \$792,982. The Township purchased capital assets in the amount of \$117,959 during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis, 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year ended June 30, 2008.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue – Police Fund, Debt Service Funds, and Capital Projects.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also the Downtown Development Authority and Library component units, which are legally, separate entities for which the Township is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current and other assets	\$ 1,377,554	\$1,216,647
Capital assets (net)	<u>2,648,666</u>	<u>2,637,482</u>
Total assets	<u>\$4,026,220</u>	<u>\$3,854,129</u>
Long-term liabilities	\$ 792,982	\$ 981,386
Other liabilities	<u>87,211</u>	<u>68,489</u>
Total liabilities	<u>\$ 880,193</u>	<u>\$1,049,875</u>
Net assets:		
Invested in capital assets net of related debt	\$1,855,684	\$1,656,096
Unrestricted	<u>1,290,343</u>	<u>1,148,158</u>
Total	<u>\$3,146,027</u>	<u>\$2,804,254</u>

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
REVENUES:		
Program revenues:		
Charges for services	34,253	15,751
Operating grants and contributions	10,578	34,073
Capital grants and contributions	8,870	62,361
General revenues:		
Property taxes	1,663,543	1,912,240
State-shared revenues	218,889	211,948
Interest income	42,718	29,491
Other	6,723	13,975
Special item		
Total revenues	<u>1,985,574</u>	<u>2,279,839</u>
EXPENSES:		
General government	345,543	382,852
Public safety	923,829	864,759
Public works	185,506	744,443
Recreation and culture	133,833	148,656
Interest on long-term debt	42,135	37,287
Loss on recapture of property		<u>100,983</u>
Total expenses	<u>1,630,846</u>	<u>2,278,980</u>
Increase in net assets	354,728	859
Beginning net assets, as restated	<u>2,791,299</u>	<u>2,803,395</u>
Ending net assets	<u>\$3,146,027</u>	<u>\$2,804,254</u>

Net assets increased by \$ 354,728 and liabilities decreased by \$ 169,682. Property taxes have decreased and state-shared revenues have increased. Overall operating expenses have decreased by \$ 648,134.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources. The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial

Governmental Funds (continued)

information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains five individual governmental funds: General Fund; Special Revenue - Police Fund; Debt Services Fund, consisting of the Road Project Fund and Capital Fund; and the Township Hall Bonds Fund. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for ensuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for ensuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities

The General Fund decreased its fund balance by \$41,056, bringing the fund balance to \$243,977; the Special Revenue-Police Fund decreased its fund balance by \$37,572, including a prior period adjustment for unrecorded accrued benefits in the amount of \$12,955, bringing the fund balance to \$317,341, the Township Hall Bonds Fund decreased its fund balance by \$7,187, bringing its fund balance to \$67,327. The Road Project decreased its fund balance \$14,222, bringing the fund balance to \$63,161; and the Capital Project increased \$204,271, bringing that fund balance to \$297,934. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, airport, recreation/park development, tax collection, street lighting, police, and fire protection.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the Township Board amended its budget several times to take into account events during the year. Amendments resulted in a net increase in expenditures of \$161,059.

Capital Asset and Debt Administration

At June 30, 2008, the Township had \$3,914,960 in a broad range of assets, including buildings, parks, land for an industrial park, police, office, and park equipment. The Township continued improvements to the Greendocks and the Capital Projects Fund.

At June 30, 2008 the Township had total debt outstanding of \$792,982. The Township reduced its debt by \$188,404 by making the required annual payments. Additional information on the Township's long-term debt can be found on pages 27 and 28 of this report.

FACTORS AFFECTING FUTURE OPERATIONS

Tax revenues continue to grow. We also consider state revenues as being an uncertain source of revenue. We believe that we need to continue to strive for a healthy fund balance.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability or revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at 231.238.0970 (Tuscarora Township Hall).

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Downtown Development Authority</u>	<u>Library</u>
Assets			
Cash and cash equivalents	\$ 724,956	\$ 205,278	\$ 123,604
Investments	245,198	-	-
Receivables	407,400	-	29,499
Capital assets not being depreciated	1,390,065	-	-
Capital assets, net of depreciation	<u>1,258,601</u>	<u>-</u>	<u>66,477</u>
Total assets	<u>\$ 4,026,220</u>	<u>\$ 205,278</u>	<u>\$219,580</u>
Liabilities			
Accounts payable and accrued expenditures	\$ 87,211	\$ -	\$ 7,191
Noncurrent liabilities			
Due within one year	203,766	-	-
Due in more than one year	<u>589,216</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>880,193</u>	<u>-</u>	<u>7,191</u>
Net assets			
Invested in capital assets, net of related debt	1,855,684	-	66,477
Unrestricted	<u>1,290,343</u>	<u>205,278</u>	<u>145,912</u>
Total net assets	<u>3,146,027</u>	<u>205,278</u>	<u>212,389</u>
Total Liabilities and Net assets	<u>\$ 4,026,220</u>	<u>\$ 205,278</u>	<u>\$ 219,580</u>

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
Legislative	\$ 87,455	\$ -	\$ -	\$ -	\$ (87,455)
General government	300,223	-	3,820	-	(296,403)
Public safety	923,829	9,061	6,758	8,870	(899,140)
Public works	179,705	-	-	-	(179,705)
Recreation	133,833	25,192	-	-	(108,641)
Airport	5,801	-	-	-	(5,801)
Total governmental activities	\$ 1,630,846	\$ 34,253	\$ 10,578	\$ 8,870	\$ (1,577,145)
Component units					
Downtown Development Authority	\$ 38,870	\$ -	\$ -	\$ -	\$ (38,870)
Library	88,317	7,279	8,309	-	(72,729)
Total component units	\$ 127,187	\$ 7,279	\$ 8,309	\$ -	\$ (111,599)

Continued...

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Primary Government	Component Units	
		Downtown	
	Governmental	Development	
	Activities	Authority	Library
Changes in net assets			
Net (expense) revenue	\$ (1,577,145)	\$ (38,870)	\$ (72,729)
General revenues			
Property taxes	1,663,543	75,953	90,081
State shared revenues	218,889	-	3,876
Unrestricted interest	42,718	4,849	2,504
Other	6,723	-	562
Special Item	-	-	-
Total general revenues	1,931,873	80,802	97,023
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Change in net assets	354,728	41,932	24,294
Net assets, beginning of year	2,804,254	163,346	188,095
Prior Period Adjustment	(12,955)		
Net assets, beginning of year as restated	2,791,299		
Net assets, end of year	\$ 3,146,027	\$ 205,278	\$ 212,389

Concluded

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2008

ASSETS	General	Special Revenue Fund	Debt Service Funds		Capital Projects	Total Governmental Funds
		Police	Township Hall Bonds	Road Project		
Cash and cash equivalents	\$ 91,011	\$ 196,762	\$ 67,327	\$ 107,588	\$ 152,268	\$ 614,956
Investments	72,856	172,342	-	-	110,000	355,198
Accounts receivable	73,426	5,798	-	-	-	79,224
Due from other funds	47,550	-	-	-	35,666	83,216
Due from other governmental units	5,303	-	-	-	-	5,303
Special assessments receivable	125,827	-	-	164,506	-	290,333
Note receivable	32,540	-	-	-	-	32,540
Total assets	\$ 448,513	\$ 374,902	\$ 67,327	\$ 272,094	\$ 297,934	\$ 1,460,770
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 5,767	\$ 5,740	\$ -	\$ -	\$ -	\$ 11,507
Accrued expenses	4,736	48,698	-	-	-	53,434
Due to other funds	35,666	3,123	-	44,427	-	83,216
Deferred revenue	158,367	-	-	164,506	-	322,873
Total liabilities	204,536	57,561	-	208,933	-	471,030
Fund balances						
Reserved	-	-	67,327	-	-	67,327
Unreserved	-	-	-	-	-	-
Designated	-	-	-	-	-	-
Lights	19,214	-	-	-	-	19,214
Fire protection	6,628	-	-	-	-	6,628
METRO Act	16,521	-	-	-	-	16,521
Parks	23,533	-	-	-	-	23,533
Marina Park	48,430	-	-	-	-	48,430
Undesignated	129,651	317,341	-	63,161	297,934	808,087
Total fund balances	243,977	317,341	67,327	63,161	297,934	989,740
Total liabilities and fund balances	\$ 448,513	\$ 374,902	\$ 67,327	\$ 272,094	\$ 297,934	\$ 1,460,770

Continued...

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2008

Reconciliation of fund balances on the balance sheet for governmental funds to the statement of net assets

Fund balances - total governmental funds	\$ 989,740
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add - capital assets (net)	2,648,666
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Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Add - deferred revenue on special assessments and Notes receivable	322,873
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and notes payable	(792,982)
Subtract - accrued interest on long-term liabilities	(22,270)

Net assets of governmental activities	<u>\$ 3,146,027</u>
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Concluded

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2008

		Special Revenue Fund	Debt Service Funds		Capital Projects	Total Governmental Funds
	General	Police	Township Halt Bonds	Road Project		
Revenues						
Taxes	\$ 453,777	\$ 717,754	\$ 61,991	\$ 86,196	\$ 240,952	\$ 1,560,670
Special assessments	70,399	-	-	-	-	70,399
State sources	218,889	1,633	-	-	-	220,522
Charge for services	25,306	9,061	-	-	-	34,367
Donations	3,820	5,125	-	-	-	8,945
Interest	18,387	7,013	860	14,894	1,564	42,718
Miscellaneous	6,607	8,870	-	-	-	15,477
Total revenues	797,185	749,456	62,851	101,090	242,516	1,953,098
Expenditures						
Current						
Legislative	87,455	-	-	-	-	87,455
General government	209,096	-	-	-	-	209,096
Public safety	160,852	740,432	-	-	-	901,284
Public works	179,705	-	-	-	-	179,705
Recreation and culture	103,963	-	-	-	-	103,963
Airport	5,801	-	-	-	-	5,801
Capital outlay	7,251	33,641	-	-	38,245	79,137
Debt service						
Principal	53,301	-	65,000	108,926	-	227,227
Interest	15,817	-	5,038	21,386	-	42,241
Total expenditures	823,241	774,073	70,038	130,312	38,245	1,835,909
Other financing sources (uses)						
Transfers in	-			15,000	-	15,000
Transfers out	(15,000)					(15,000)
Net change in fund balances	(41,056)	(24,617)	(7,187)	(14,222)	204,271	117,189
Fund balances, beginning of year	285,033	354,913	74,514	77,383	93,663	885,506
Prior Period Adjustment		(12,955)				(12,955)
Beginning Fund Balance restated		341,958				
Fund balances, end of year	\$ 243,977	\$ 317,341	\$ 67,327	\$ 63,161	\$ 297,934	\$ 989,740

Continued...

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2008

**Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of
Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds \$ 117,189

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay 117,959
Deduct - depreciation expense (106,881)

Special assessments receivable are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.

Deduct - special assessment receipts (93,351)
Deduct: recapture of capital assets -
Deduct - Foreclosure on Land Contract -
Add - New special assessments 125,829

Bond and Note proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds and note payables increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment

Add - principal payments on long-term liabilities 227,454
Deduct - New proceeds from debt (39,050)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - Decrease in accrued interest 5,579
Change in net assets of governmental activities \$ 354,728

Concluded

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

TUSCARORA TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TAX COLLECTION FUND

JUNE 30, 2008

Assets	
Cash and cash equivalents	<u>\$ 1,755</u>
Liabilities	
Due to other governmental units	<u>\$ 1,755</u>

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - CURRENT TAX COLLECTION FUND**

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
ASSETS				
Cash and cash equivalents, unrestricted	<u>\$ 3,172</u>	<u>\$ 6,706,696</u>	<u>\$ 6,708,113</u>	<u>\$ 1,755</u>
LIABILITIES				
Due to other governmental units	<u>\$ 3,172</u>	<u>\$ 6,706,696</u>	<u>\$ 6,708,113</u>	<u>\$ 1,755</u>

The accompanying notes are an integral part of these financial statements.

COMPONENT UNITS

TUSCARORA TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2008

ASSETS	Downtown Development Authority	Library	Total Governmental Component Units
Cash and cash equivalents	\$ 205,278	\$ 123,604	\$ 328,882
Penal fines receivables	-	29,499	29,499
Total assets	\$ 205,278	\$ 153,103	\$ 358,381
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued expenses	\$ -	\$ 3,643	\$ 3,643
Due to other governmental units	-	3,548	3,548
Total liabilities	-	7,191	7,191
Fund balances			
Reserved	151,116	-	151,116
Unreserved, undesignated	54,162	145,912	200,074
Total fund balances	205,278	145,912	351,190
Total liabilities and fund balances	\$ 205,278	\$ 153,103	\$ 358,381
Reconciliation of Fund Balances on the Balance Sheet for Component Units to the Statement of Net Assets			
Fund Balances - component units	\$ 205,278	\$ 145,912	\$ 351,190
Amounts reported for component units in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Add - capital assets (net)	-	66,477	66,477
Net assets of component units	\$ 205,278	\$ 212,389	\$ 417,667

The accompanying notes are an integral part of these financial statements.

TUSCARORA TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2008

	Downtown Development Authority	Library	Total Governmental Component Units
Revenues			
Taxes	\$ 75,953	\$ 90,081	\$ 166,034
State sources	-	3,876	3,876
Charge for services	-	7,279	7,279
Donations	-	8,309	8,309
Interest	4,849	2,504	7,353
Miscellaneous	-	562	562
Total revenues	80,802	112,611	193,413
Expenditures			
Current			
General government	38,870	114,967	153,837
Recreation and culture	-	-	-
Total expenditures	38,870	114,967	153,837
Net change in fund balances	41,932	(2,356)	39,576
Fund balances, beginning of year	163,346	148,268	311,614
Fund balances, end of year	\$ 205,278	\$ 145,912	\$ 351,190

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Component Units to the Statement of Activities

Net change in fund balances - component units	\$ 41,932	\$ (2,356)	\$ 39,576
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Amounts reported for component units in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	-	37,350	37,350
Deduct - depreciation expense	-	(10,700)	(10,700)
Change in net assets of component units	\$ 41,932	\$ 24,294	\$ 66,226

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Tuscarora Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity includes those of the Township and any component units. The basic criterion for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Library and Downtown Development Authority are presented as component units. Separate financial statements are not issued.

DISCRETELY PRESENTED COMPONENT UNITS

Library – The Township Library, which was established pursuant to the provisions of Public Act 164 of 1877, as amended, is governed by a six person Board of Directors elected through primary and general elections. The Library may issue debt subject to the limitations set forth in the Act and is funded by an annual property tax levy and state penal fines.

Downtown Development Authority – The Downtown Development Authority, which was established pursuant to the provisions of Act 197 of 1975, as amended, is governed by the Township Supervisor and an eight-member board. The Authority may issue debt subject to the limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of the Township and County levies which may only be used for activities within the downtown district.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (the township does not have any business-type activities). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (continued)

capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, but are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers all funds to be major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Special Revenue – Police Fund: This fund accounts for revenues and expenditures directly attributable to police operations. Revenue is primarily obtained from property taxes for this purpose.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Governmental Funds (continued)

Debt Services Fund: These funds consist of the Road Project Fund and the Township Hall Bonds Fund.

Township Hall Bonds Fund: A Debt Services fund. This fund is used to account for the property taxes collected and the payments on bonds issued for the 1993 original construction of Township Hall.

Road Project Fund: A Debt Services fund. It was created to monitor the pay back of funds used for the major road resurfacing done on many of the Township's streets.

Capital Projects Fund: This fund was created to account for the new Marina and Green docks Project that the Township is progressing on.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer and bank money market funds, which invest, solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies.

RECEIVABLES AND PAYABLES

All receivables are reported at gross value. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES AND PAYABLES (continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial individual cost of \$1,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 40 years
Land improvements	15 years
Equipment and vehicles	5 – 10 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no debt.

FUND EQUITY

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A. 621 of 1978 (The Uniform Budgeting Act).

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order of the applicable appropriations, is not employed by the Township because it is, at present, considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

PROPERTY TAX REVENUE RECOGNITION

Property tax revenues for the year ended June 30, 2008 reflected in the accompanying financial statements include property taxes levied December 1, 2007. These taxes are due by February 15, 2008, and are added to the County tax rolls after February 28, 2008. The Township receives 100% payment for the delinquent tax by June 2008. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the Fiduciary – Tax Collection Fund.

The taxable value of the Township totaled \$ 204,221,564, on which ad valorem taxes consisted of .989 mills for the Township's operating purposes, .1505 mills for lights, .807 mills for fire protection, 3.583 mills for police protection, .3033 mills for debt retirement, 1.2362 mills for parks, and .2967 mills for the component unit library operations.

VACATION AND SICK LEAVE

Accrued vacation pay to police employees of \$26,039 has been accounted for in the Police Fund as a current liability under accrued compensated absences. There is an additional \$14,169 accrued for sick and leisure as of June 30, 2008. Sick and leisure

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
VACATION AND SICK LEAVE (continued)

pay does not accumulate but is paid out at the employees anniversary date if not used.

PENSION

The provision for pension cost is recorded on an accrual basis, and the Township's policy is to fund pension costs as they accrue.

DEFERRED REVENUE

Deferred revenue recorded in general and debt service funds consist of special assessments on taxpayers for various road and erosion control projects, and represents amounts to be collected in the future. Additionally, revenue is deferred in the governmental funds on the collection on a note from the sale of industrial park land.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Primary Government

The captions on the combined balance sheet relating to cash, cash equivalents and investments and the amounts in the Total (Memorandum Only) primary government column is as follows:

Cash and cash equivalents	\$616,711
Investments	<u>355,198</u>
	<u>\$971,909</u>

At year-end the carrying amount of the Township's primary government deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$410,010	\$410,010
Uninsured – uncollateralized	<u>561,899</u>	<u>574,170</u>
	<u>\$971,909</u>	<u>\$984,180</u>

Component Units

The captions on the balance sheet relating to cash, cash equivalents and investments and the amounts in the Component Unit column are as follows:

Cash and cash equivalents	\$272,688
Investments	<u>56,194</u>
	<u>\$328,882</u>

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Component Units (continued)

At year-end the carrying amount of the deposits in the Component Unit column was classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$256,194	\$256,194
Uninsured – uncollateralized	<u>72,688</u>	<u>75,255</u>
	<u>\$328,882</u>	<u>\$331,449</u>

The GASB Statement No. 3 risk disclosures are as follows:

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and unregistered, with Securities held by the Counterparty's Trust Department or its agent in the Township's name.
3. Uninsured and unregistered, with Securities held by the Counterparty or the Counterparty's Trust Department or Agent, but not in the Township's name.

The Township's deposits and investments are in accordance with statutory authority.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 3: RECEIVABLES AND DEFERRED REVENUES

The composition of receivables at June 30, 2008 follows:

Special assessments	\$ 290,333
Notes – Industrial Park Land, current	32,540
Receivable from other governmental units	<u>79,224</u>
Total receivables	<u>\$402,097</u>

NOTE 3: RECEIVABLES AND DEFERRED REVENUES (CONTINUED)

The notes receivable represents a land contract on the sale of a parcel of Township industrial park land.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue reported in the governmental funds was as follows:

Special assessments	\$ 290,333
Notes – Industrial Park Land	<u>32,540</u>
Total deferred revenue	<u>\$322,873</u>

Subsequent to year end, but prior to issuance of the report, the parcel of land in the Industrial Park reverted back to the Township.

NOTE 4: CAPITAL ASSETS

The composition of receivables at June 30, 2008 follows:

Capital asset activity of the primary governmental activities for the current year was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Not being depreciated:				
Land	\$1,324,660	\$ 65,405	\$ -	\$ 1,390,065
Being Depreciated:				
Land Improvements	208,356		-	208,356
Parks	571,004			571,004
Buildings	1,237,527		-	1,237,527
Equipment	332,384	33,810	-	366,194
Vehicles	<u>140,502</u>	<u>18,744</u>	<u>(17,432)</u>	<u>141,814</u>
Subtotal	3,814,433	117,959	(17,432)	3,914,960
-				
Less accumulated Appreciation	<u>(1,176,951)</u>	<u>(106,881)</u>	<u>17,432</u>	<u>(1,266,400)</u>
Total	<u>\$2,637,482</u>	<u>\$ 11,078</u>	<u>\$ -</u>	<u>\$ 2,648,560</u>

Depreciation was charged to the Township's functions as follows:

General government	\$ 54,465
Public Safety	22,545
Recreation and culture	<u>29,871</u>
	<u>\$106,881</u>

NOTE 4: CAPITAL ASSETS (CONTINUED)

Capital asset activity of the component unit (Library) governmental activities for the current year was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Being depreciated:				
Equipment	\$ 121,363	\$	\$ -	\$ 121,363
Books	<u>52,705</u>	<u>37,350</u>	<u>-</u>	<u>90,055</u>
Subtotal	174,068	37,350	-	211,418
Less accumulated Depreciation	<u>(134,241)</u>	<u>(10,700)</u>	<u>-</u>	<u>(144,941)</u>
Total	<u>\$ 39,827</u>	<u>\$ 26,650</u>	<u>\$ -</u>	<u>\$66,477</u>

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary government:		
General fund	\$52,853	\$35,666
Police Fund	0	3,123
Capital projects	35,666	0
Fiduciary fund	0	1,755
Road Project	<u>0</u>	<u>44,427</u>
Component unit:		
Library	<u>0</u>	<u>3,548</u>
Total	<u>\$88,519</u>	<u>\$88,519</u>

NOTE 6: PENSION PLANS

Plan description. The Township participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the police department employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at Municipal Employees Retirement System, 1134 Municipal Way, Lansing, MI, 48917.

NOTE 6: PENSION PLANS (CONTINUED)

Funding Policy. The obligation to contribute to and maintain the system for these employees was established by the Township Board. There are no contribution requirements for the employees of the Township. The Township is required to contribute at an actuarially determined rate; the current rate is 15.97% of annual covered payroll. The contribution requirements of plan members and the Township are established and may be amended by the MERS board.

Annual Pension Cost. For the year ended December 31, 2007 the Township's annual pension cost of \$60,018 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 4.5% percent per year cost of living adjustments. Both use techniques that smooth the effects of short-term volatility over a four-year period. The positive unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over 30 years and the negative unfunded actuarial liability is being amortized over 10 years.

Three-year trend information:

	<u>Fiscal year ended December 31:</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost (APC)	\$ 40,240	\$ 49,393	\$ 60,010
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0
Actuarial value of assets	\$466,416	\$537,122	\$ 623,340
Actuarial Accrued Liability (AAL)	\$820,196	\$905,129	\$1,010,359
Unfunded AAL	\$353,780	\$368,007	\$ 387,019
Funded ratio	57%	59%	62%
Covered payroll	\$357,333	\$365,060	\$ 378,364
UAAL as a percentage of covered payroll	99%	101%	102%

The Township also provides pension benefits to some of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 7.5% of employees' gross earnings and the employees are not required to make any contribution. In accordance with these requirements, the Township contributed \$2,168 during the current year. Fees and contract charges were \$95.

NOTE 7: DEFERRED COMPENSATION PLAN

The Township offers participation to certain employees in a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by Prudential Financial. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Tuscarora Township's financial statements.

NOTE 8: DEBT

A summary of general long-term debt at June 30, 2008, and transactions related thereto for the year then ended is as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
\$700,000 1993 general obligation unlimited tax bonds for construction of community building, payable in annual installments of \$30,000 to \$65,000, bearing interest semi-annually from 2.9% to 5.2%, through October, 2008.	\$130,000	-	(65,000)	\$ 65,000	\$65,000
\$ 22,500 Land Contract for purchase of parcel of land on October 29, 2007. Land Contract payments of \$1,250 on the first of January and July starting in 2009, interest accrues at 6% but will be waived if payments are timely.	-	22,500	-	22,500	1,250
\$16,550 installment note with Kubota Credit Corp. for purchase of Kubota tractor. Payments are monthly at \$331.82 bearing interest rate of 7.5%. The note is secured by the equipment.	0	16,550	(228)	16,322	2,852
\$259,000 1998 land purchase note due in monthly installments of \$2,663 including interest at 4.33% through December, 2008.	46,329	-	(30,551)	15,778	15,778
\$417,763 1999 Promissory Note for contracted services due in annual installments of \$37,055, including interest at 5% through July 1, 2017.	286,131	-	(22,749)	263,382	23,886
\$505,000 2006 general obligation limited tax bonds for the construction of certain road improvements, payable in annual installments of \$95,000 to \$110,000, bearing interest of 4.6% through July, 2011.	505,000	-	(95,000)	410,000	95,000

NOTE 8: DEBT (CONTINUED)

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
\$158,926 2006 note for additional proceeds to complete road improvement project with five (5) annual installment payments from \$29,785 to \$33,785 at 4.6% through July 2011. Advance payment was made in January 2007.	<u>13,926</u>	<u>0</u>	<u>(13,926)</u>	<u>0</u>	<u>0</u>
	<u>\$981,386</u>	<u>\$39,050</u>	<u>(\$227,454)</u>	<u>\$792,982</u>	<u>\$203,766</u>

The annual principal and interest requirements for the years ending June 30, 2009 and thereafter, including \$104,115 in interest, are as follows:

<u>Year Ended June 30,</u>	
2009	236,627
2010	155,724
2011	156,009
2012	146,064
2013	43,203
Thereafter	<u>159,470</u>
Total	<u>\$ 897,097</u>

NOTE 9: RESERVES AND DESIGNATIONS

Township Hall Bonds – Township Hall Bonds Fund has \$67,327 reserved for payment of long-term debt principal, interest and related costs.

Lights – The General Fund has \$19,214 reserved from a special millage for street lighting within the Township.

Fire Protection – The General Fund has \$6,628 reserved from a special millage for fire protection within the Township.

METRO Act – The General Fund has \$16,521 reserved from the State of Michigan to be used for road right-of-way maintenance within the Township.

Marina Park – The General Fund has \$ 48,430 reserved for development of the so-called Marina Park within the Township.

Designation for Parks – The General Fund has \$13,023 designated for park operations.

NOTE 10: CONTINGENCIES

In the normal course of operations the Township receives grant funds from state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NOTE 11: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan. The Township carries coverage for general liability, wrongful acts, law enforcement, automobile, crime, inland marine liability and bonding for public official's errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 12: PRIOR PERIOD ADJUSTMENT

In the Police Special Revenue Fund there was a reduction in fund balance for prior period adjustment. Prior years have not reported as part of accrued vacation accumulated sick and leisure time available to police officers. This sum at June 30, 2008 was \$14,169 of which \$12,955 was for prior periods. The sick and leisure pay if not used on an annual basis is paid out to the employees on their anniversary date or at the time of leaving employment.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCARORA TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance With Amended Budget Positive (Negative)
	Original	Amended		
Revenues				
Taxes	\$ 459,752	\$ 459,752	\$ 453,777	\$ (5,975)
Special assessments	6,600	6,600	70,399	63,799
State sources	217,200	217,200	218,889	1,689
Charge for services	9,560	9,560	25,306	15,746
Donations	6,000	6,000	3,820	(2,180)
Interest	14,000	14,000	18,387	4,387
Miscellaneous	28,100	28,100	6,607	(21,493)
Total revenues	741,212	741,212	797,185	55,973
Expenditures				
Legislative				
Township board	130,507	95,457	87,455	8,002
General government				
Supervisor	23,687	23,687	23,247	440
Elections	4,500	4,500	1,374	3,126
Professional services	5,000	3,895	3,495	400
Assessor	53,851	53,851	52,693	1,158
Clerk	27,187	27,187	27,147	40
Board of Review	1,600	1,600	1,507	93
Treasurer	35,560	35,560	32,210	3,350
Township property	55,050	65,350	55,586	9,764
Cemetery	10,400	11,600	11,837	(237)
Total general government	216,835	227,230	209,096	18,134
Public safety				
Planning	5,560	60	-	60
Fire department	160,852	160,852	160,852	-
Total public safety	166,412	160,912	160,852	60
Public works				
Road repair and maintenance	44,800	152,300	150,584	1,716
Street lighting	30,000	30,000	28,379	1,621
Refuse collection	7,000	2,000	742	1,258
Total public works	81,800	184,300	179,705	4,595
Recreation and culture	106,500	103,963	103,963	-
Airport	6,500	6,500	5,801	699

The accompanying notes are an integral part of these financial statements.

Continued....

TUSCARORA TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	Budget			Variance With Amended Budget Positive (Negative)
	Original	Amended	Actual	
Capital outlay	-	8,091	7,251	840
Debt service				
Principal	\$ 32,000	\$ 53,344	\$ 53,301	\$ 43
Interest	-	15,817	15,817	-
Total debt service	32,000	69,161	69,118	43
Total expenditures	740,554	855,614	823,241	32,373
Other financing sources (uses)				
Transfers in			-	
Transfers out		(15,000)	(15,000)	-
Net change in fund balances	658	(114,402)	(41,056)	88,346
Fund balances, beginning of year	285,033	285,033	285,033	-
Fund balances, end of year	<u>\$ 285,691</u>	<u>\$ 170,631</u>	<u>\$ 243,977</u>	<u>\$ 88,346</u>

Concluded

The accompanying notes are an integral part of these financial statements

TUSCARORA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - POLICE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance With Amended Budget Positive (Negative)
	Original	Amended		
Revenues				
Taxes	\$ 716,132	\$ 716,132	\$ 717,754	\$ 1,622
State sources	1,000	1,000	1,633	633
Charge for services	3,000	3,000	9,061	6,061
Donations	200	200	5,125	4,925
Interest	7,000	7,000	7,013	13
Miscellaneous	12,000	12,000	8,870	(3,130)
Total revenue	\$ 739,332	\$ 739,332	\$ 749,456	\$ 10,124
Expenditures				
Public safety	\$ 715,332	\$ 736,690	\$ 740,432	\$ (3,742)
Capital outlay	24,000	33,641	33,641	-
Total expenditures	\$ 739,332	\$ 770,331	\$ 774,073	\$ (3,742)
Net change in fund balances	(0)	(30,999)	(24,617)	6,382
Fund balances, beginning of year	354,913	354,913	354,913	-
Prior Period Adjustment	(12,955)	(12,955)	(12,955)	-
Fund balance, beginning of year as restated	341,958	341,958	341,958	-
Fund balances, end of year	\$ 341,958	\$ 310,959	\$ 317,341	\$ 6,382

The accompanying notes are an integral part of these financial statements.

Elliott & Sangster

CERTIFIED PUBLIC ACCOUNTANTS
CERTIFIED FINANCIAL PLANNERS

PROFESSIONAL CORPORATION

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MEMBER

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

December 22, 2008

Township Board
Tuscarora Township
Cheboygan County
Indian River, MI 49749

Comments and Recommendations

In planning and performing our audit of the general purpose financial statements of the Township of Tuscarora for the year ended June 30, 2008, we considered the Township's internal structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This report and accompanying recommendations are intended for the use of the Township and should not be used for other purpose.

1. Observation

As part of our audit, we performed a fraud risk assessment by means of observation, inspection, interviews with management personnel and its activities. We found no issues with respect to fraud; however, we believe the Township should consider strengthening its internal control in this area.

Recommendation

We recommend the Township adopt a formal fraud policy. Such a policy will facilitate the development of controls which aid in the detection and prevention of fraud against the Township, and it will promote consistent behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

2. Observation

The Township has a repeat of actual expenditures over budgeted amounts in the following areas:

	Budgeted	Actual	Over budget
General Fund --Cemetery	\$11,600	\$11,837	\$(237)
Special Revenue --Police	736,690	740,432	(3,742)
Hall Bonds -- Bond Interest	3,380	5,038	(1,658)
Road Project -- Bond Interest	8,080	21,386	(13,306)

Recommendation

As was the case in 2007 the increase to the accrual for sick and vacation pay in the Police department again put the department in an over budget status. The Township Board should develop a schedule to use as a tool to check accruals near year end for accounts that are not adjusted on a monthly basis. The other three amounts were simply missed but were partly due to the change in clerks in the middle of the year.

We would like to thank Mrs. Fisher, Mrs. Balazovic, and Mr. Jacobson for their assistance during the audit and for the fine job they did with the accounting of the Township records. If there are any questions regarding this comment or the audited statements, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to be "Elliott & Sangster", written over a diagonal line.

Elliott & Sangster, PC